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## Article 6 and the Global Stocktake

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Lukas Hermwille and Nicolas Kreibich

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# Abstract

The Global Stocktake and Article 6 of the Paris Agreement are both supposed to support the raising of ambition of global climate action. Yet, thus far the two elements of the Paris Agreement have been discussed mostly in relative isolation from each other. This Policy Paper aims to change this.

The paper first examines the relationship between the Global Stocktake (Art. 14) and Article 6 by analysing cross-references from the two Articles to other elements of the Paris Agreement and vice-versa. We find that there is no explicit direct linkage between the Global Stocktake and Article 6. There is however a strong indirect connection through the NDCs and the Enhanced Transparency Framework. The Global Stocktake is supposed to inform subsequent NDCs whereas Article 6 enables voluntary cooperation among Parties to raise the ambition in implementing climate action. The Transparency Framework is supposed to inform the “assessment of collective progress” under the Global Stocktake. Yet, this assessment can only be transparent, complete and consistent, if it duly considers any international transfers of emission reductions generated in accordance with Article 6.

The Paper furthermore introduces four functions of the Global Stocktake – a pacemaker,

ensurer of accountability, enhancer of ambition and provider of guidance and signal – and discusses how Article 6 and corresponding cooperative activities could support (or undermine) these functions.

The Paper concludes by recommending that a strong exchange process between the Global Stocktake and Article 6 be established. This would not only be of utmost importance to allow for the Global Stocktake to properly perform its functions (in particular its accountability function), but could also assist the development of Article 6 activities. Furthermore we recommend that the Global Stocktake creates an opportunity to periodically review Article 6 and its governance frameworks. Such a re-view process could, for example, be modelled after the CDM Policy Dialogue of 2012, in which independent research on past CDM activities was conducted to elaborate reform proposals for the mechanism.

At this stage, it is impossible to draw final conclusions on the relationship between Article 6 and the Global Stocktake not least because there is still a high degree of uncertainty about the design of both elements. Yet, there is an important conversation to be had and this Policy Paper is intended to kick off this discussion.

# 1 Introduction

The Paris Agreement has established an open-ended framework for climate action with the 5-yearly cycle of nationally determined contributions (NDCs) at its core. Yet, the first round of (intended) NDCs falls far short of what is needed to comply with the Paris Agreements' "well-below 2°C"-goal. The Parties themselves noted "with concern that the estimated aggregate greenhouse gas emission levels in 2025 and 2030 resulting from the intended nationally determined contributions do not fall within least-cost 2°C scenarios [and] that much greater emission reduction efforts will be required than those associated with the intended nationally determined contributions in order to hold the increase in the global average temperature to below 2°C above pre-industrial levels" (UNFCCC 2016b, para. 17, also see 2016c).

This was not unforeseen. Parties expected that initial ambition would not be sufficient and hence established a process that facilitates the raising of ambition. The Global Stocktake is a key component of what has been called the "ambition mechanism" (Müller and Ngwadla 2016). The Global Stocktake is one of the periodic elements of the Paris Agreement. It is supposed to "assess collective progress" of the Parties towards the goals of the Agreement in order to inform subsequent NDCs (UNFCCC 2016a, Art. 14).

Although it is not part of what has been called the "ambition mechanism" or "ratchet mechanism", Article 6 of the Paris Agreement also has an explicit requirement to promote ambition

(Kreibich 2018, Howard 2018, Warnecke et al. 2018). Article 6 specifically highlights that "some Parties choose to pursue voluntary co-operation in the implementation of their nationally determined contributions *to allow for higher ambition* in their mitigation and adaptation actions" (UNFCCC 2016a, Art. 6.1, emphasis added).

Despite the common purpose, the two elements have to date been discussed mostly in isolation, both in the negotiations as well as in the wider literature.

This Policy Paper sets out to change this. The paper will explore the relationship between Article 6 and the Global Stocktake. Section 2 provides an analysis of the Global Stocktake in the wider legal architecture of the Paris Agreement. While there are no explicit relationships between Article 14 (Global Stocktake) and Article 6, there are numerous ways in which the two articles are indirectly linked.

Section 3 then introduces four functions of the Global Stocktake: a pacemaker, ensurer of accountability, enhancer of ambition and provider of guidance and signal. For each of these functions we discuss whether and how Article 6 relates to them and whether it could contribute to supporting them. Finally, section 4 concludes and recommends that Article 6 should be duly considered in the Global Stocktake. Furthermore we recommend that the Global Stocktake creates an opportunity to periodically review Article 6 and its governance frameworks.

## 2 The Global Stocktake and Article 6 in Context

### 2.1 The Global Stocktake – Article 14

This section discusses the Global Stocktake (UNFCCC 2016a, Art. 14) within the legal context by highlighting cross-references between the Global Stocktake and other elements of the Paris Agreement. We will first look at how Article 14 refers to other sections of the Paris Agreement. In a second step we then explore how the Global Stocktake is referred to in other paragraphs of the agreement.

*Art. 14.1 The Conference of the Parties serving as the meeting of the Parties to this Agreement shall periodically take stock of the implementation of this Agreement to assess the collective progress towards achieving the purpose of this Agreement and its long-term goals (referred to as the “Global Stocktake”). It shall do so in a comprehensive and facilitative manner, considering mitigation, adaptation and the means of implementation and support, and in the light of equity and the best available science. (UNFCCC 2016a, Art. 14)*

Art. 14.1 provides the mandate for the Global Stocktake. Although there are no explicit linkages to other elements of the Paris Agreement, there are clear implicit connections. First, Art. 14.1 refers to the “purpose of this Agreement and its long-term goals”. This clearly refers to the three specific objectives outlined in Art. 2 of the Paris Agreement:

- **Mitigation target** (Art. 2.1a): to limit global warming to well below 2°C and to make efforts to limit global warming to 1.5°C above pre-industrial levels.

- **Adaptation target** (Art. 2.1b): to increase the capacity for climate change adaptation and to promote climate resilience and low-GHG development.
- **Finance target** (Art. 2.1c): to make (global) financial flows consistent with the other two objectives.

The last sentence of Art. 14.1 also refers to numerous other elements of the Paris Agreement. The Paris Agreement has dedicated Articles for mitigation (Art. 4), adaptation (Art. 7), and means of implementation and support (Art. 9 on finance, Art. 10 on technological support, and Art. 11 on capacity building). Finally, the term “equity” can only be interpreted to refer to Art. 2.2 of the Paris Agreement. It states that the “Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances” (UNFCCC 2016a, Art. 2.2). The principle of common but differentiated responsibilities (CBDR) was already established in Art. 3.1 of the original United Nations Framework Convention on Climate Change (United Nations 1992).

While Art. 14.2 specifies the time line and institutional setup for the Global Stocktake – every 5 years as of 2023 and under the auspices of the Conference of the Parties serving as the meeting of the Parties to this Agreement (CMA) – Art. 14.3 again contains a number of references to other elements.

*Art. 14.3 The outcome of the Global Stocktake shall inform Parties in updating and enhancing, in a nationally determined manner, their actions and support in accordance with the relevant pro-*



*visions of this Agreement, as well as in enhancing international cooperation for climate action.* (UNFCCC 2016a)

The first part of the Article clearly refers to the NDCs established in Art. 3 of the Paris Agreement as a vehicle for promulgating national mitigation and adaptation policies and measures. It further refers again to action (i.e. Mitigation action, Art. 4, and Adaptation action, Art. 7) and support (Art. 9-11). Not explicitly mentioned but perhaps still relevant are the long-term low greenhouse gas emission development strategies (LEDs) that parties have been “invited” to prepare as per Art. 4.19. The Global Stocktake provides an opportunity to highlight the (dis-)connection between NDCs, these long-term mitigation strategies, and the temperature goals.

The last sub clause is a bit peculiar. The reference to “international cooperation for climate action” was introduced by China in the very last iteration of the negotiation text in Paris.<sup>1</sup> It is unclear what the basis for inclusion was (Friedrich 2017). Within the Paris Agreement the term “international cooperation” is only used at this very occasion and not elsewhere. However, it resembles to some extent the provisions of Art. 6 that specifies that countries may voluntarily *cooperate* in implementing their NDCs (Art. 6.1) by means of “*cooperative approaches*” (Art. 6.2). Thus, a narrow implementation would be, that the last bit of Art. 14.3 refers to any type of cooperation pursuant to Art. 6. This interpretation is not entirely implausible as also Art. 6 was completed at the last minute in Paris (Obergasel et al. 2015, 2016) and hence coincides with the late insertion of the respective sub clause in Art. 14.3.

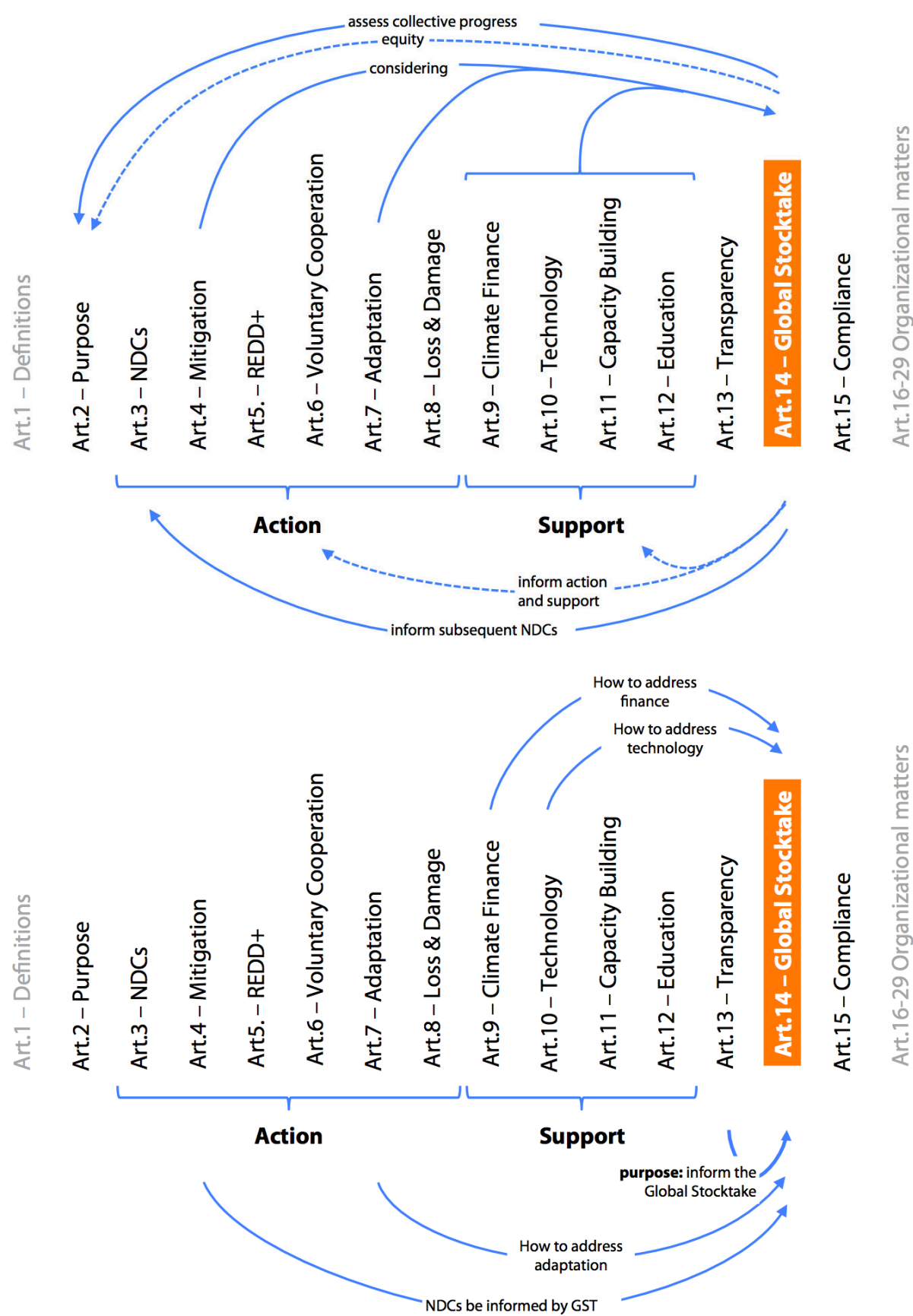
However, a more widely shared interpretation is that the section refers much wider to all kinds

of international cooperation beyond the UNFCCC (cf. Friedrich 2017). This would relate for example to the International Civil Aviation Organisation (ICAO) and International Maritime Organisation (IMO), but could also extend to, for example, the World Trade Organisation. Given the acknowledged role of non-state and subnational actors and the increasing number of transnational governance initiatives, it is also reasonably plausible that the authors of the sub clause intended the Global Stocktake as a means to orchestrate the wider inter- and transnational climate governance landscape (Milkoreit and Haapala 2017).

There are also a number of passages in the Paris Agreement that refer to Art. 14 implicitly or explicitly. These include:

- Art. 4.9 which mandates Parties to communicate and/or update NDCs every 5 years that shall be *informed by the Global Stocktake*.
- Art. 7.14 makes specific provisions for how adaptation shall be considered within the Global Stocktake.
- Likewise, Art. 9.6 spells out how climate finance shall be reflected in the Global Stocktake.
- Art. 10.6 outlines how the Global Stocktake shall account for technology support and technology transfer.
- Art. 13.5 and 13.6 are particularly important as they state that the *purpose* of the transparency framework is to inform the Global Stocktake about implementation of action (Art. 13.5) and support (Art. 13.6).

<sup>1</sup> Personal communication with a member of the French Presidency of COP21.



**Figure 1:** References from the Global Stocktake (Article 14) to other elements of the Paris Agreement (upper figure) and references from other Articles to the Global Stocktake (lower figure). *Source: Wuppertal Institute.*

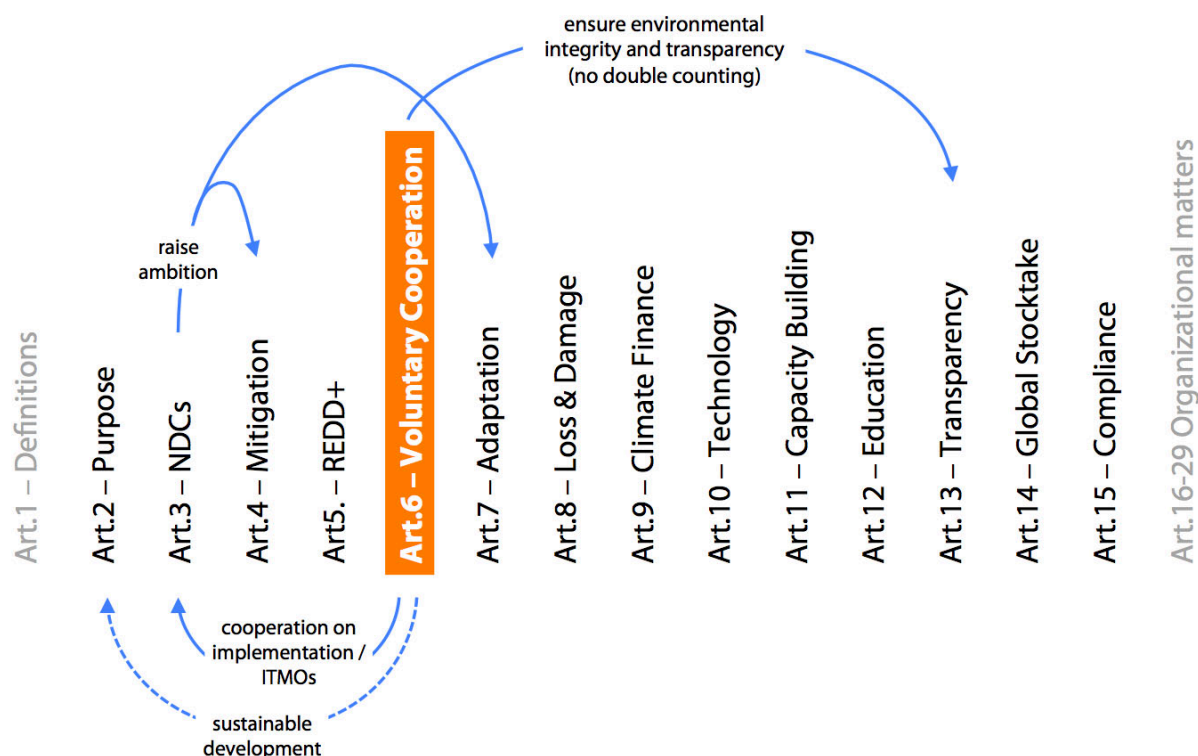
## 2.2 Voluntary Cooperation – Article 6

In a similar way, Article 6 relates to various other elements of the Paris Agreement. Art. 6.1 enables Parties to voluntarily cooperate in the “implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity” (UNFCCC 2016a, Art. 6.1). This explicitly refers to Articles 3 (NDCs in general), 4 (mitigation) and 7 (adaptation). The reference to sustainable development can be related to the preamble of the Paris Agreement that highlights “the intrinsic relationship that climate change actions, responses and impacts have with equitable access to sustainable development and eradication of poverty” and also Art. 2 which situates the long-term goals of the Paris Agreement “in the context of sustainable

development” (UNFCCC 2016a, Art. 2.1).

Articles 6.2, 6.4 and 6.5 respectively refer to the attainment of NDCs. Art. 6.2 introduces the concept of internationally transferred mitigation outcomes (ITMOs) that can be used by the purchasing country towards its NDC. Indirectly, those paragraphs also refer to Enhanced Transparency Framework (Art. 13) of the Paris Agreement. Art. 6.2 refers to “robust accounting” and the “avoidance of double counting”. Art. 6.5 specifies that emission reductions from the “mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development” established in Art. 6.4 must not be used to demonstrate the achievement of the host countries NDC if it is also used by another country to do so.

Finally, Art. 6.8 specifies “non-market approaches” to support the implementation of NDCs specifically referring to mitigation, adaptation, finance, technology transfer and capaci-



**Figure 2:** References from Article 6 to other elements of the Paris Agreement. *Source: Wuppertal Institute.*

ty-building.

It is striking, though, that there are no instances of other elements of the Paris Agreement referring explicitly to Article 6. This may be due to the fact that it was unclear until the very end whether or not the Paris Agreement would include any reference to what is now called “cooperative approaches”. However, it also mirrors the fact that the prospects of market-based cooperative climate action within the negotiations has been discussed within a rather close network and in parallel rather than in interdependence with the more overarching agenda items.

## 2.3 Interdependencies between Articles 6 and 14

The Global Stocktake has a mandate to take stock of the implementation of the Paris Agreement “in a comprehensive [...] manner” (UNFCCC 2016a, Art. 14.1). Based on this formulation, the scope of the Global Stocktake covers all the main elements of the Paris Agreement. Arguably, this also includes Article 6. As Friedrich put it: “The emphasis on the comprehensive nature of the global stocktake means that in case there is doubt over whether something should be included in the global stocktake, there is a presumption in favour of inclusion.” (Friedrich 2017, 328).

Still, the above analysis demonstrates that there is no explicit and direct link between Article 6 and the Global Stocktake. The two Articles are, however, linked indirectly through two key elements of the Paris Agreement: the NDCs and the Enhanced Transparency Framework.

The Global Stocktake is supposed to assess collective progress (i.e. assess the collective ambition of current NDCs as well as the progress towards implementing them) and its purpose is to inform the next iteration of NDCs. Given the shortfall of ambition in the first round of NDCs,

this “informing” must be as indicating what a sufficient level of ambition or even the “highest possible ambition” (UNFCCC 2016a, Art. 4.3) entails.

Likewise, the purpose of cooperative approaches under Art. 6 is to enable Parties to raise mitigation and adaptation ambition. Unfortunately, it is much less clear how and when this raising of ambition should be achieved (for a discussion of how Art. 6 could contribute to raising ambition see Kreibich 2018; Howard 2018; Warnecke et al. 2018). Should Art. 6 contribute to raise ambition in the current NDC period? Should international cooperation motivate Parties to take on more ambitious NDCs in the next iteration of the NDC cycle?

The link between the two elements is even closer through the Enhanced Transparency Framework (Art. 13). The purpose of the Transparency Framework is to inform the Global Stocktake. Of course, this can only be achieved if the Transparency Framework takes full account of the cooperative activities Parties engage with under Art. 6.

GHG reporting needs to be transparent, accurate, complete, consistent, and comparable (TACCC principles, see IPCC 2006). The Paris Agreement explicitly refers to this standard by requiring Parties to “promote environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensure the avoidance of double counting, in accordance with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement” (UNFCCC 2016a, Art. 14.3) in accounting for emissions and removals corresponding to their NDCs. Whenever Parties choose to cooperate on the basis of Art. 6 and a country uses emission reductions generated in another country to demonstrate the achievement of its own NDC, GHG reporting can only be considered transparent, complete and consistent if those emission reductions and the corresponding adjustments (also see UNFCCC

2016b, para. 36) in the host countries GHG reporting are duly accounted for.



# 3 The Global Stocktake: Key Functions

As stated in the introduction, the Global Stocktake has received a lot of attention, because it is supposed to play a leading role in catalysing climate action in subsequent NDC periods. This section outlines four functions by and through which the Global Stocktake could ideally contribute to a maximization of ambition as required per Art. 4.3 of the Paris Agreement.<sup>2</sup> For each of these functions it discusses whether and how Article 6 and any activities carried out in accordance with it can and should contribute to the Global Stocktake and/or be scrutinized under it.

## 3.1 Pacemaker Function

The Paris Agreement contains relatively few mandatory legal requirements on nation states in terms of “obligations of results”. There are, however, a range of “obligations of conduct” (Oberthür and Bodle 2016). The procedural rules of the Paris Agreement – the 5-yearly cycle of NDC updates, assessment and review of national action and support, as well as the aggregate assessment of implementation in the form of periodical Global Stocktakes – create a “pacemaker” that helps to stimulate and synchronize climate policy processes (Obergassel et al. 2016). Essentially, the NDC cycle resembles a prototypical policy cycle (see **Figure 3**)

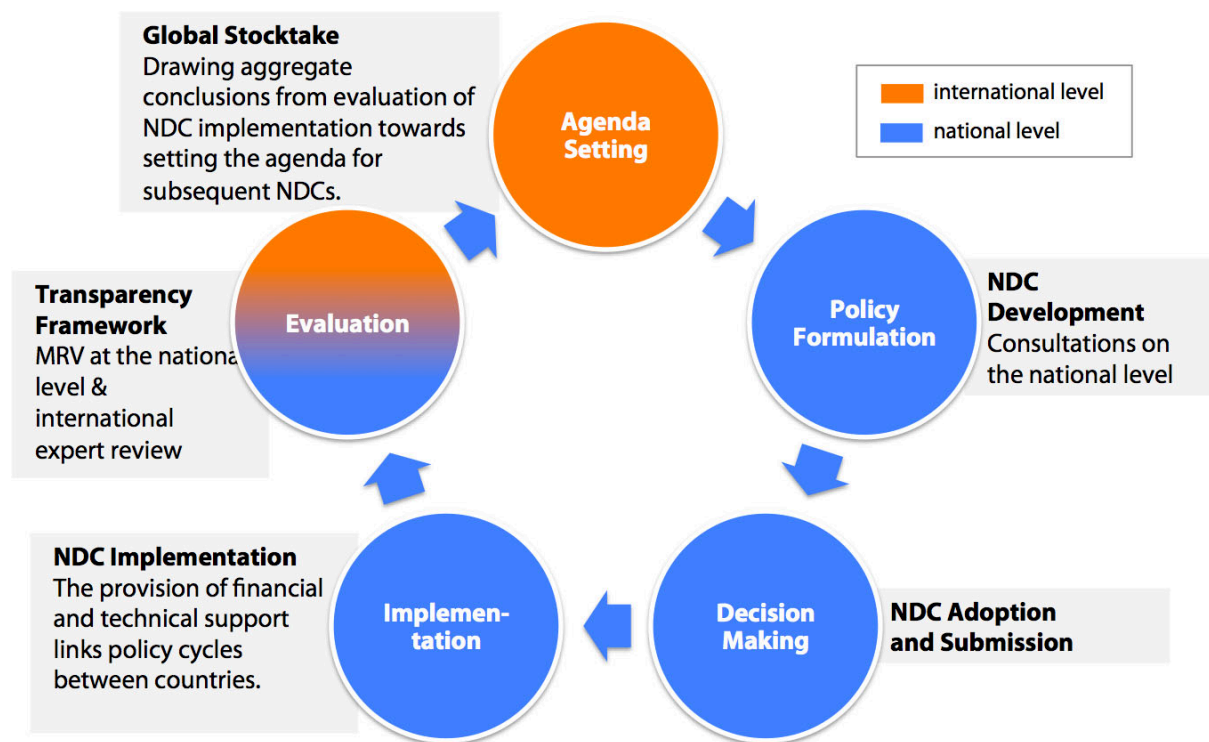
(Jann et al. 2007). But what is the specific role of the Global Stocktake within this policy cycle? The Global Stocktake reinforces the periodic 5-yearly rhythm of the Paris Agreement: it bridges the evaluation stage and the agenda setting stage for subsequent NDC cycles. It aggregates the individual country-level evaluations in order to formulate conclusions at the global level. These conclusions will inform the respective national climate policy agendas for the next round of NDCs.

What is required to enable the Global Stocktake to effectively function as an agenda setting mechanism? First and foremost, the Global Stocktake can only effectively aggregate and conclude on the individual country evaluations if they are available as an input in time.

Secondly, to have a significant effect on national policy processes, the outputs should be formulated in a way that resonates with the national discourse of as many countries as possible. General statements and mere calls for urgency will most likely not have a strong impact. It may be necessary to differentiate and formulate specific challenges that, for example, correspond to different stages of economic development. For that purpose, data and analyses need to be supplied that enable formulation of nuanced policy narratives at the technical level.

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<sup>2</sup> The analysis of the four functions of the Global Stocktake is based on ongoing research on behalf of the German Federal Environmental Agency (Umweltbundesamt) under grant FKZ 3717181030. A first discussion paper on an ideal Global Stocktake has been published (Hermwille and Siemons 2018).



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**Figure 3:** The NDC Cycle as a policy cycle. *Source: Wuppertal Institute.*

So how does this function relate to Article 6? Perhaps, there are relatively few interlinkages with Article 6 and the pacemaker function of the Global Stocktake. In order to fulfil this function, the requirements for the Global Stocktake are primarily of procedural nature. At this point, we do not see any synergies or trade-offs with Article 6.

### 3.2 Ensuring Accountability

From a rationalist perspective, one of the key criticisms of the Paris Agreement is its lack of legal compulsion. To some extent, this has been substituted by a focus on transparency in the hope that a threat of 'naming and shaming' can discipline policy makers to adequately implement their NDCs (Oberghassel et al. 2015, 2016; Oberthür and Bodle 2016; Bodansky 2016). But what is required in order to make naming and shaming effective and what can the Global Stocktake contribute to this?

For the 'naming' part a key requirement is transparency. Without accurate and sufficiently granular data it remains impossible to determine whether or not, and to what extent, countries have attained their NDCs. For the 'shaming' part, a critical level of public attention is required. The transparency framework will most likely not be sufficient in this regard. This is where the Global Stocktake could make a contribution. By publicly receiving, reviewing and appraising individual country reports, the Global Stocktake could create an echo chamber for the transparency framework that helps to attract the necessary public attention.

However, the Global Stocktake has a very narrow mandate (if at all) in this regard: Art. 14.1 postulates that the Global Stocktake is supposed to assess *collective* progress only. Hence, Milkoreit and Haapala (2017) argue that there is no scope for 'naming and shaming' within the Global Stocktake. This seems correct in the sense that the ultimate outcome(s) of the Glob-

al Stocktake need to summarise individual country data in order to draw global conclusions. The Global Stocktake is not supposed to compare country performance, but, ideally, it would still support comparability.

When it comes to naming and shaming, Article 6 is of particular importance. The emphasis on environmental integrity and the avoidance of double counting already give an indication. If accounting of international transfer of emission reductions under Article 6 is incomplete or intransparent this could severely impede the accountability function of the Global Stocktake. In the absence of a robust Art. 6 accounting system, there is a risk that countries could build “low-ambition coalitions” and use Article 6 to mask their failure to comply with the Paris Agreement (see also Kreibich and Hermwille 2016; Hermwille and Obergassel 2018).

### 3.3 Enhancing Ambition

As outlined in the introduction, the current level of ambition still falls short of what is necessary (UNFCCC 2016c). To make up for this, Parties’ next round of NDCs will at least have to comply with Art. 4.3 of the Paris Agreement in that they ‘will represent a progression beyond the Party’s then current nationally determined contribution and reflect its highest possible ambition’ (UNFCCC 2016b, Art. 4.3).

There are two ways in which the Global Stocktake could support this provision, combining aspects of the aforementioned rationalist and technology-optimist perspectives.<sup>3</sup>

Firstly, the Global Stocktake could determine benchmarks that may help to operationalize

what is meant by ‘highest possible ambition’ and what constitutes a progression beyond the current NDC. One benchmark would be to determine what kind of level of ambition is required in the upcoming NDC period, taking into account the achievements and shortfalls of the current NDC period. Another useful benchmark would be to identify and showcase particularly ambitious NDCs or aspects of NDCs. This would help to raise the bar of what is commonly perceived as ‘the highest level of ambition’. Covering a diverse portfolio of countries with different states of development and a wide range of specific national circumstances would help to account for the latter part of Art. 4.3: the reference to equity and national circumstances.

This kind of benchmark leads us to the second important contribution the Global Stocktake could make in order to enhance the ambition of NDCs. Milkoreit and Haapala (2017, 2) have proposed to ‘use the Global Stocktake as a peer-learning platform for “how to do transformational change”’. This could be achieved if the Global Stocktake were to identify synergies and transformative potentials to facilitate sustainable development in broader terms than just focussing on mitigation potentials. Parties may be motivated much more by positive development potentials and synergetic opportunities than by yet another call for urgency.

Both of these aspects of enhancing ambition may link to Article 6, but in different ways. The setting of benchmarks for subsequent NDCs could be a valuable resource for any activities under Article 6. One key challenge of market-based mitigation action in the past was the determination of “additionality”. Under the CDM, for example, proposed activities had to demonstrate that they would not be viable without the support of the mechanism. This provision was considered a safeguard of environmental integrity since it avoided that activities would be supported and credited that would have occurred anyway and hence do not constitute real

<sup>3</sup> In order to avoid confusion. This section discusses how the Global Stocktake can contribute to raising ambition and how Article 6 can support this. The ambition raising requirement expressed in Art. 6.1 is not considered here (see e.g. Kreibich 2018, Howard 2018, Warnecke et al. 2018).

emission reductions. If such flawed credits would be used to offset emissions elsewhere, the overall emissions would rise. Now it has been argued that the concept of additionality remains fundamental for any market-based mitigation activities under Article 6, particularly if the resulting emission reductions are counted towards the NDC of a different country than the host country of the mitigation activity (Hermwille and Obergassel 2018; Michaelowa and Butzengeiger 2017; Schneider and La Hoz Theuer 2018).

A key challenge, however, is to determine what should be the baseline against which to assess additionality. Additional to what should a proposed activity be? Since all countries are now obligated to develop and implement progressively more ambitious NDCs, business as usual must no longer serve as such a baseline. The NDCs themselves may be considered, but as Hermwille and Obergassel (2018) argue, there are significant challenges with NDCs themselves including the fact that many NDCs are simply incompatible with the long-term goals of the Paris Agreement. Any global and/or regional benchmarks developed for and politically vetted through the Global Stocktake could become however, a valuable resource for Art. 6 activities as a baseline for additionality demonstration. Proposed activities could base their additionality demonstration on these benchmarks and argue, if implemented, how they would go beyond this benchmark.

The second aspect relates to the concept of transformational learning outlined above. Market-based mechanisms have proved to be particularly effective in identifying and realizing low-cost mitigation potentials (Shishlov and Bellassen 2012; Healy 2017). Making emission reductions a valuable resource has sparked the creativity and innovative capacity of private actors. If Article 6 (and in particular Art. 6.4 which has an explicit mandate to include private actors) are fully implemented, it is very likely that

such innovative forces will continue. It can reasonably be expected that this engagement will lead to innovative projects, programmes and other activities that could provide good practice examples that could be highlighted in a facilitative format under the Global Stocktake.

### 3.4 Guidance and Signal

The international relations literature increasingly recognizes that many international institutions, including the Paris Agreement, assume a guidance and signal function that extends beyond the international level (Falkner 2016; Bodansky 2017; Hermwille et al. 2017; Morseletto, Biermann, and Pattberg 2016; Young 2017). In the words of Oberthür et al. the adoption of strong collective goals and pathways to achieve those goals “signals the resolve of governments (or other members of international institutions) to pursue a certain course of action and hence indicates likely policy trajectories to business, investors and other actors operating at all levels of governance. As such, the signal and direction provided has the potential to help synchronise and align developments across levels of governance and across the boundaries of different countries” (Oberthür et al. 2017, 16).

The guidance and signal function of the Paris Agreement mainly derives from the purpose of the Paris Agreement (Art. 2) and in particular the long-term temperature goal (Art. 2.1a). This temperature goal is further operationalized by the goal to achieve climate neutrality in the second half of the century (Art. 4.1). Together they provide a top-level, collectively agreed vision for the global transformation (Hermwille 2016; UNFCCC 2016a).

Yet, for some sectors of the economy the signal provided seems much clearer than for others. For many sectors, a great deal of ambiguity remains of what the 1.5°C goal actually means. While the challenges are relatively clear for the

power sector and the electrification of passenger transport, they remain relatively vague for example on emission intensive industries, agriculture and land-use including forestry (cf. Kuramochi et al. 2018).

In the light of this discussion, what is the role of the Global Stocktake? First of all, the Global Stocktake is an opportunity to reiterate and reinforce the signal already provided in Paris. More importantly, though, the Global Stocktake could further develop and refine the existing signal. Refining the signal provided from the Paris Agreement would not only help guide the next round of NDCs, but could also serve as an updated reference point for all kinds of governance initiatives (incl. non-state and subnational actors).

Much like in the pacemaker function, there are no direct synergies between Article 6 and the

guidance and signal function of the Global Stocktake. The Global Stocktake and activities under Article 6, however, do possess some complementarities. Article 6 is seen by many as a potential avenue to cooperate more closely and eventually coordinate the various carbon pricing initiatives that have been mushrooming around the globe (World Bank 2017). Carbon pricing in general provides a clear signal to stakeholders; a signal that is expressed in the very language of business that can therefore be immediately be considered by private sector decision makers.

If Article 6 can contribute to the diffusion of carbon pricing as well as a gradual increase in the level of carbon pricing (see also OECD 2018), the carbon pricing signal would neatly complement the more qualitative long-term visions perpetrated by the Global Stocktake.



## 4 Conclusions and Recommendations

This Policy Paper explored the relationship between the Global Stocktake (Art. 14) and Article 6 by first highlighting relevant cross-references to various elements of the Paris Agreement and then analysing how Article 6 relates to the key functions of the Global Stocktake. The analysis of the Paris Agreement text indicates that there are no direct links between both Articles but that they are indirectly connected through some of the elements which are key for the functioning of the Paris Agreement.

One such area is Parties' **NDCs**: While Article 6 is to provide Parties with the possibility to cooperate in the implementation of their NDCs to allow for higher ambition, the Global Stocktake is to assess the progress of this implementation process and inform the next iteration of NDCs.

The second area where the two elements are linked is the **Transparency Framework**. Here, the connection is even closer: In assessing progress, the Global Stocktake builds on the Transparency Framework which in turn must take full account of the transfers taking place under Article 6 to correctly determine GHG emissions.

These two intersections are directly relevant for some of the functions of the Global Stocktake, with the **accountability function** standing out in this regard: In order to assess collective progress and indicate where the global community stands in the fight against climate change, the Global Stocktake must be able to build on robust accounting of Article 6 transfers. The Global Stocktake could combine information on how Article 6 mitigation outcomes have been generated, transferred and used with information on Parties' progress towards achieving

their NDCs. This will not only allow to identify "low-ambition cooperation activities" that build on hot air and inflated baselines but could further provide an overall picture on the functioning of Article 6 as part of the Paris regime. Such a "comprehensive" Global Stocktake could also hold Article 6 accountable in terms of whether it has met its mandate and contributed to the purpose of the Paris Agreement by actually raising ambition.

The second function of the Global Stocktake which is of particular relevance for Article 6 is its **ambition raising function**. If the Global Stocktake sets benchmarks for ambitious NDCs, these could be used under Article 6 for defining activities that are truly additional. Article 6, in return, could supply good practice examples and innovative mitigation strategies identified through private actors in a market environment which could be showcased by the Global Stocktake.

Building on these findings, we suggest to establish a strong exchange process between the Global Stocktake and Article 6. This would not only be of utmost importance to allow for the Global Stocktake to properly perform its functions (in particular its accountability function), but could also assist the development of Article 6 activities.

Furthermore, the Global Stocktake should include a **periodic review of Article 6** and its governance framework. The Global Stocktake has a mandate to assess collective progress in a comprehensive manner. Under this mandate all elements of the Paris Agreement, including Art. 6, should be scrutinized whether or not they contribute to the objectives of the Agreement

formulated in Art. 2. A periodic review of Article 6 should therefore assess whether the ambition raising requirement formulated in Art. 6.1 is met. With a robust accounting framework for Article 6, ideally, this review would even quantify the ambition raising effect of the activities conducted under Article 6. At the very bottom line, the review should make sure that the utilization of Article 6 does not undermine overall ambition.

#### The CDM Policy Dialogue

The CDM Policy Dialogue was mandated by the CDM Executive Board to take stock of the Clean Development Mechanism and develop recommendations on how to position the CDM in the evolving climate policy landscape and how to further streamline the process to ensure the effectiveness of the mechanism.

A panel of 11 high-level individuals was formed to oversee a series of independent research activities. It also organized a stakeholder consultation programme holding a series of formal and informal meetings across the globe. This research was subsequently collated and synthesised in a final report (CDM Policy Dialogue 2012) and presented to the CDM Executive Board in September 2012, nearly one year after the Dialogue had been launched at the margins of COP 17 in Durban, South Africa.

Additional information: <http://www.cdmpolicydialogue.org/>

Such a review process could take the form of the CDM Policy Dialogue of 2012 (see Box), in which independent research on past CDM activities was conducted to elaborate reform proposals for the mechanism (CDM Policy Dialogue 2012). When assessing the performance of the

Article 6 governance structure, the implementation of provisions and their impact on activities on the ground, the overarching objectives of Article 6 and the Paris Agreement should be used as guiding principles, asking whether co-operative approaches have actually contributed to enhancing ambition, ensuring environmental integrity and promoting sustainable development.

One way of doing this is to include a corresponding mandate in the COP decisions governing Art. 6.2 and 6.4. The current draft negotiating texts (September 2018) for Art. 6.2 and 6.4 both contain placeholders to review the guidance for Art. 6.2 and modalities and procedures for 6.4 at a later stage. This should be strengthened and amended to include not a one of review but a periodic review every five years to be aligned with the Global Stocktake.

If Parties decide not to include such a review process as part of the Global Stocktake, the evaluation could be conducted externally while its results could still feed into the Global Stocktake if submitted through the Subsidiary Bodies' reports (UNFCCC 2016b, para. 99). Using the Global Stocktake for such a review may provide the potential to enhance the performance of Article 6, ensuring that its functioning remains in line with the broader progress of the Paris regime.

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